



BOARD OF INVESTMENT TRUSTEES

RISK MANAGEMENT STATEMENT

The Board of Investment Trustees recognizes its fiduciary responsibility to ensure prudent management of the assets of the Employee Retirement Plans. A key component of prudent management is the application of risk measurement and risk management practices consistent with investment program objectives. In this regard the Board has developed a risk management program that reflects sound, professional management focused on recognizing and controlling risks as follows.

The philosophy of the Board's Risk Management Program is summarized as follows:

The Board is committed to maintaining the highest ethical and management standards in its governance of the investment program and itself as a public body.

The Board is sensitive to risks associated with management, measurement and oversight of investment programs for public retirement plans.

The Board believes its fiduciary responsibility involves maximizing investment returns while controlling both market-related and management risks.

The Board recognizes the need to follow a strategic program that focuses on identifying, measuring, and reporting such risks in order to better control the risks.

Recognizing risk management objectives, the Board will develop and maintain a risk management program that involves oversight of the following risks:

Management risks – risks associated with inadequate knowledge of fiduciary responsibilities and risks, lack of law, rules, and ethical standards, lack of documentation and enforcement of internal controls, inadequate development and documentation of policies and guidelines, lack of independence or consistency in risk oversight, and inadequacy of resources, organizational structure, and reporting mechanisms.

Measurement risks – risks associated with inadequate determination and documentation of valuation procedures and reconciliations, as well as inadequate measurement of risk and its impact on portfolio management strategies and performance.

Oversight risks – risks associated with inadequate confirmation of due diligence and program compliance, as well as inadequate evaluation and documentation of portfolio management activities for both existing and prospective strategies.

The Board will manage these risks through the development and maintenance of the program, guidelines, policies and procedures.

Finally, risk management will include a reporting methodology that ensures that its fiduciary responsibilities are met in a consistent manner.

Adopted: March 1999 (RES: 99-03-01)

Amended: June 3, 2005